

# **Indiana State Teachers' Retirement Fund**

## **Risk Management Policy**

### **Intent**

The Indiana Teachers' Retirement Fund (TRF) Board of Trustees has approved the introduction and embedding of risk management into the key controls and approval processes of all major business processes and functions of TRF.

Risk is inherent in all administrative and investment activities, and every TRF Trustee, TRF employee, and TRF service provider continuously manages risk. TRF recognizes that the aim of risk management is not to eliminate risk totally, but rather to provide the structural means to identify, prioritize and manage the risks involved in all TRF activities. It requires a balance between the cost of managing and treating risks, and the anticipated benefits that will be derived.

TRF acknowledges that risk management is an essential element in the framework of good governance and is an integral part of good management practice. The intent is to embed risk management in a very practical way into business processes and functions via key approval processes, review processes and controls -- not to impose risk management as an extra requirement.

TRF acknowledges that risk can fall into many categories such as, but not limited to, market, credit, legal, regulatory, political, operational, strategic, headline, reputational, event, country, and model.

TRF recognizes that the implementation of this policy is an on-going process and that the treatment of risks can change over time.

### **Policy objectives**

The Risk Management Policy has been created to:

- Protect TRF from those risks of significant likelihood and consequence in the pursuit of TRF's stated strategic goals and objectives;
- Provide a consistent risk management framework in which the risks concerning business processes and functions of TRF will be identified, considered and addressed in key approval, review and control processes;
- Encourage pro-active rather than re-active management;
- Provide assistance to and improve the quality of decision making throughout TRF;
- Assist in safeguarding TRF assets - people, finance, property and reputation.

## **Policy statement**

TRF adopts the Risk Management approach and general methodology specified in the ISO31000:2009 Risk Management Standard.

All TRF business processes and functions will adopt a risk management approach consistent with the ISO31000:2009 Risk Management Standard in their approval, review and control processes. The generic TRF risk management approach and methodology for this purpose is as set out in the TRF Risk Management Handbook, as approved by the Executive Director from time-to-time.

The responsible manager for each TRF business process and function shall develop a form of risk management approach and associated documentation appropriate to their domain, which will be approved by the Executive Director.

## **Policy scope**

This policy is applicable to all areas of TRF, including:

- Investment Management
- Finance
- Benefits
- Communications
- Administration
- Compliance, Legal and Audit

## **Responsibilities**

### **Overall**

Everyone in TRF has a role in the effective management of risk. All staff should actively participate in identifying potential risks in their area and contribute to the implementation of appropriate treatment actions.

### **Governance**

The Executive Director will be responsible on behalf of the Board of Trustees for ensuring that a risk management system is established, implemented and maintained in accordance with this policy.

The Compliance function will be responsible to the Executive Director and the Board of Trustees for oversight and assurance of the processes for the identification and assessment of the strategic-level risk environment.

## **Operational**

The TRF Board of Trustees has delegated responsibility for oversight and implementation of this policy to the Executive Director.

The Executive Director will ensure risk management is embedded into the key controls and approval processes of all major business processes and functions. Department officers and directors will be responsible to the Executive Director for the implementation of this policy within their respective areas of responsibility.

Department officers and directors will be responsible for insuring that all third party service parties to TRF have the appropriate level of risk management policies implemented within their respective entities. Wherever practical, risk management capabilities will be a required element of vendor responses to RFP's and will be a criterion when selecting third party service providers.

The Compliance function will provide reports to department officers/directors, the Executive Director, and the TRF Board of Trustees on the status of risk management implementation and effectiveness across TRF; and will periodically report on the identification and assessment of major, strategic risk levels.

## **Communication**

This policy is to be made available to all TRF staff and observed by all members of staff.

This policy will be made available to the public and will accessible on the TRF website.

There will be an ongoing professional development and educational strategy to accompany the implementation of this policy.

## **Definitions**

Definitions are taken from the ISO31000:2009 Risk Management Standard, with some modifications as appropriate to the particular TRF context.

A complete listing of methodology definitions related to risk management at TRF is included in the ISO31000:2009 Risk Management Standard.

Key definitions are:

- **Risk** - The effect of uncertainty on objectives.
- **Risk Management** - Coordinated activities to direct and control an organization with regard to risk.
- **Risk Management Framework** - Set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization.

- **Risk Management Policy** - Statement of overall intentions and direction of an organization related to risk management.
- **Risk Management Plan** – Scheme within the risk management framework specifying the approach, the management components and resources to be applied to the management of risk.
- **Risk Management Process** - The systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analyzing, evaluating, treating, monitoring, and reviewing risk.
- **Risk Assessment** - The overall process of risk identification, risk analysis and risk evaluation.

## **Exclusions**

There are no exclusions. This policy applies to all areas of TRF.